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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000503

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TAGS: [ECON](#) [ENRG](#) [KWBG](#) [PHUM](#) [EG](#) [IS](#)
SUBJECT: EGYPT-GAZA POWER IMPROVEMENTS POSSIBLE, BUT MAJOR
WORK REQUIRED

REF: A. OSC GMP20080322950022
[1](#)B. 2006 JERUSALEM 2604
[1](#)C. 2006 JERUSALEM 4335

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

[1](#)1. (SBU) Summary: Palestinian Energy Authority (PEA) Chairman Omar Kattaneh confirmed press reports that tenders would be offered for construction of high-voltage lines to increase the ability of Egypt to provide the Gaza Strip with power. The project aims to boost Gaza's supply of electricity from Egypt from 17 MW to 150 MW by 2010. Gaza-based contacts estimated that the project will cost USD 30 million and take longer than two years to complete. In addition, significant upgrades to the electrical grid within the Gaza Strip are required. Even if successful, Palestinian contacts do not believe that Egyptian power will fully substitute for Gaza's current reliance on Israeli electricity supplies, given likely increases in demand. The Gaza Power Plant, if provided with a steady and reliable source of natural gas and all necessary spare parts and maintenance, could produce 150 MW of cheap electricity and compete with Egyptian and Israeli electricity suppliers. End summary.

Egypt-Rafah Power Line Tenders To Be Issue Soon

[1](#)2. (SBU) Following press reports of Egyptian plans to supply electricity to the Gaza Strip (Ref A), Palestinian Energy Authority (PEA) Chairman Omar Kattaneh told Econoff on March 21 that the construction tenders to build power lines between the Egyptian grid and the Gaza Strip (Rafah) would be issued "not before the end of March, but some time very soon." He said the PEA aims to increase Egyptian electricity flow into Gaza from 17 MW to 150 MW by the year 2010 in an attempt to diversify Gaza's power supply and to reduce Gazans' electricity bills. PA officials have previously told Econoffs that such a project could reduce Gazan,s electricity bills by 44 percent (Ref B). Gaza-based contacts said that the project should cost around USD 30 million. The Islamic Development Bank has reportedly agreed to fund the construction of the power lines to Rafah.

Without Major Improvements in
Gaza Grid, Project Mostly Useless

[1](#)3. (C) Gaza Power Plant (GPP) Project Manager Rafiq Maliha told Econoff on March 21 that the expanded Egypt-Rafah power line connection would be "mostly useless" without major infrastructure investment in the Gaza power grid. He said that the project's power lines would stop at Rafah, requiring construction of a major transmission line to bring the

electricity to central and northern Gaza. Maliha opined that the PEA's two-year construction estimated was very ambitious and estimated completion would take "at least a few years."

¶4. (SBU) Note: The May 2007 World Bank West Bank/Gaza Energy report estimated that the PA needed to invest USD 68 million in transmission lines, substations, and distribution lines in Gaza. End note.

¶5. (C) In addition, Palestinian power-sector contacts say that reports that Egypt will "replace" Israel as a supplier of electricity to the Gaza Strip are exaggerated. Not only is the project to increase Egyptian supply still years away from completion, but demand for electricity in the Gaza Strip is expected to rise dramatically in the same time period, particularly if imports and exports area allowed to return to previous levels and the Gazan private sector is revived. The increase in demand, these contacts suggest, will eat up the extra capacity brought on line by this project.

Gaza Power Plant Wants To Compete

¶6. (C) Maliha said that if and when the Egypt-Rafah power lines were completed and power grid infrastructure upgrades made, the Egyptian electricity supply would make the GPP much less competitive, as Egyptian power plants burn natural gas, not expensive industrial diesel like the GPP. "Our prices are much higher than those in Egypt," he said. He noted that an Egypt-Gaza natural gas pipe connection would allow the GPP to compete with Israeli and Egyptian electricity suppliers. Maliha said that, with such a pipeline installed, his plant could convert to burning natural gas "overnight" and that its

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output capacity would be 150 MW with minor upgrades and a regular supply of spare parts and maintenance. He added that the plant was designed in the year 2002 to produce 280 MW, but would require two additional turbines to reach that output level. (Comment: Despite Maliha's optimism on the GPP's potential, we see little prospect of these conditions being met and expect Gaza will rely on outside sources - Israeli and Egyptian - for electricity for the foreseeable future. End Comment.)

WALLES